

Message Text

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SUBJ: US-SOVIET TRADE: EX-IM PLAYS DECISIVE ROLE

REF: (A) MOSCOW 8187; (B) MOSCOW 7884

1. SUMMARY - JUNE 23 TASS VESTNIK ARTICLE ON US-SOVIET TRADE RELATIONS REPEATS SOVIET LINE THAT AMERICAN FIRMS LOSING BILLIONS DOLLARS IN SOVIET ORDERS TO WEST EUROPEAN AND JAPANESE COMPETITORS DUE "DISCRIMINATORY" US TRADE LEGISLATION. ALTHOUGH ABSENCE MFN MENTIONED IN PASSING MAIN TARGET OF ARTICLE IS CLOSED DOORS OF EX-IM BANK, CONTRASTED WITH OTHER WESTERN GOVERNMENT CREDIT OFFERS REPORTEDLY TOTALING ABOUT \$10 BILLION. EFFORTS OF PRIVATE US BANKS TO PROVIDE NECESSARY CREDITS SEEN AS FAILING TO "EVEN PARTIALLY FILL THE VACUUM IN US-SOVIET TRADE". THE EX-IM BANK "AS IN THE PAST WILL PLAY A DECISIVE ROLE IN US-SOVIET TRADE". END SUMMARY.

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2. CITING ARMAND HAMMER'S PREDICTION THAT IN ABSENCE AVAILABILITY

EX-IM FINANCING AMERICAN FIRMS WOULD LOSE SOVIET ORDERS, VOSTNIK CLAIMS THAT IN 1974 "EXACTLY ONE BILLION RUBLES" IN POTENTIAL US SALES WENT TO WEST EUROPE AND JAPAN. MAIN CULPRIT WHICH HAS "TIED AMERICAN BUSINESS HAND AND FOOT" WAS DECISION BY US CONGRESS TO OFFER SOVIET UNION MFN "WITH CONDITIONS" AND "LIMITED" EX-IM CREDITS. ARTICLE CLAIMS THAT PREVIOUSLY OPTIMISTIC MOSCOW REPS OF US FIRMS NOW "ANXIOUS" ABOUT FUTURE TRADE. ONE REPRESENTATIVE QUOTED AS SAYING "MORE ACCURATELY WE ARE WITHOUT ANY BUSINESS", ADDING THAT EFFECT ON TRADE OF CONGRESSIONAL ACTION GREATER THAN HAD BEEN EXPECTED.

3. ARTICLE ACKNOWLEDGES THAT DECREASE IN US-SOVIET TRADE IN 1974 LARGELY EXPLAINED BY REDUCTION IN SOVIET GRAINIMPORTS FROM PREVIOUS YEAR'S TOTAL 442 MILLION RUBLES. HOWEVER, LONG LISTS OF 1974 DELIVERIES OF US GOODS "IN INSIGNIFICANT QUANTITIES" INDICATES THAT USSR REPRESENTS HUGE MARKET FOR AMERICANS. ACCORDING STATISTICS CITED BY VESTNIK, WITH GRAINEXCLUDED US EXPORTS FELL FROM 317 MILLION RUBLES (1973) TO 301 MILLION RUBLES (1974). THIS COMPARED TO INCREASES EXPORTS BY WEST GERMANY FROM 756 MILLION RUBLES TO 1374 MILLION RUBLES, FINLAND FROM 362 MILLION RUBLES TO 602 MILLION RUBLES AND JAPAN FROM 372 MILLION RUBLES TO 777 MILLION RUBLES. MOST IMPORTANT OBSTACLE TO US EXPORTS GIVEN AS 300 MILLION DOLLAR LIMIT ON EX-IM CREDITS AT TIME OTHER COUNTRIES OFFERING "IMPRESSIVE" GOVERNMENT CREDITS FOR SOVIET TRADE. CREDIT OFFERS OUTSTANDING REPORTEDLY INCLUDE 2.8 BILLION DOLLARS BY FRANCE, 2.4 BILLION DOLLARS BY BRITISH, 1.5 BILLION DOLLARS BY WEST GERMANY, OVER ONE BILLION DOLLARS BY JAPAN AND ABOUT ONE BILLION DOLLARS BY ITALY. VESTNIK REPORT STATES THAT RECENT CANADIAN OFFER \$500 MILLION CREDIT EXPECTED TO BE "SIGNIFICANTLY INCREASED" IN NEAR FUTURE.

4. ARTICLE STATES THAT ATTEMPTS BY PRIVATE US BANKS TO PROVIDE NEEDED CREDITS, WHILE "UNDOUBTEDLY AN UNDERSTANDABLE ACTION", CANNOT EVEN PARTIALLY FILL FINANCING VACUUM IN US-SOVIET TRADE. STATED SIMPLY, VESTNIK SAYS "PRIVATE BANKS CANNOT REPLACE THE US EXPORT-IMPORT BANK: THIS BANK AS IN THE PAST WILL PLAY A DECISIVE ROLE IN US-SOVIET TRADE". FACT THAT FRENCH CREDITS WERE AVAILABLE, WHILE EX-IM CREDITS WERE NOT, REPORTEDLY RESPONSIBLE FOR DIVERSION FROM US TO FRENCH FIRMS OF "IMPRESSIVE PART OF SOVIET ORDERS" FOR FIRST STAGE OF DR. HAMMER'S 20 BILLION DOLLAR LIMITED OFFICIAL USE

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FERTILIZER PROJECT. SOVIETS PLANNING SIMILAR EXPANSION OTHER INDUSTRIAL BRANCHES DURING TENTH FIVE-YEAR PLAN (1976-80), NECESSITATING LARGE IMPORTS FROM WEST, ACCORDING ARTICLE, BUT UNDER PRESENT CONDITIONS IT IS DOUBTFUL THAT AMERICAN FIRMS CAN COMPETE. WHILE SOVIETS REMAIN VERY INTERESTED IN US TECHNOLOGY, DEALS WILL HAVE TO BE "ON SAME FINANCIAL TERMS WHICH OTHER WESTERN COUNTRIES OFFER".

5. ARTICLE QUOTES DOSYGIN REFERENCE TO "ZIG-ZAG" US-SOVIET RELATIONS IN RECENT ELECTION SPEECH (REF A), BUT ADDS MORE OPTIMISTIC PREDICTION FROM SAME SPEECH THAT "REALISM AND BUSINESS CALCULATIONS WILL PREVAIL IN US" AND TRADE RELATIONS WILL BE NORMALIZED. PRESIDENT FORD ALSO CITED AS CALLING FOR NORMALIZATION ECONOMIC RELATIONS.

6. COMMENT: THE USUAL SOVIET SUGAR-PLUMS OF "BILLIONS OF DOLLARS" IN TRADE, AS HUGE INDUSTRIAL PROJECTS UNFOLD FOR THE NEXT FIVE-YEAR PLAN, ARE DANGLED IN FRONT OF US BUSINESS IN THIS ARTICLE, WITH THE FAMILIAR ASSERTION THAT OTHERS CAN STEP IN IF THE SOVIETS DO NOT GET TERMS THEY REQUIRE FROM THE US. WHILE NOT REJECTING PRIVATE CREDITS ALTOGEHTER, THERE IS DEFINITE IMPLICATION THAT SOVIET LOOK ON THESE AS "CHICKEN-FEED" AND THAT SATISFACTION CAN COME ONLY FROM UNLIMITED EX-IM CREDITS. THE ARTICLE APPEARS TO CONFIRM OTHER INDICATIONS THAT THE SOVIETS ARE BECOMING INCREASINGLY AWARE THAT THERE IS LITTLE CHANCE OF CONGRESSIONAL ACTION ON NEW TRADE LEGISLATION IN THE NEAR FUTURE. SOVIET OFFICIALS CAN BE EXPECTED TO PLAY THIS SAME TUNE IN SEVERAL KEYS TO MEMBERS OF THE HUMPHREY-SCOTT DELEGATION DURING THEIR VISIT NEXT WEEK.
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